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FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 1228
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
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RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAK/AMEMBASSY ANKARA 4073
RUEHBJ/AMEMBASSY BEIJING 1888
RUEHKO/AMEMBASSY TOKYO 1754
RUEHIT/AMCONSUL ISTANBUL 2323
RUCPDOG/DEPT OF COMMERCE WASHDC
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHMFIUU/CDR USCENTCOM MACDILL AFB FL
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RUEKJCS/JOINT STAFF WASHDC
RUEKJCS/SECDEF WASHINGTON DC
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UNCLAS SECTION 01 OF 02 ASHGABAT 000959

SENSITIVE
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STATE FOR SCA/CEN, EEB
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E.O. 12958: N/A
TAGS: [PREL](#) [EIND](#) [ECON](#) [TX](#)
SUBJECT: TURKMENISTAN'S BUSINESS ORGANIZATION LEADERS OFFER
SERVICES, BUT BARRIERS MAKE PRIVATE SECTOR EXPANSION
UNLIKELY

REF: ASHGABAT 853

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: According to the chairman of the Union of Entrepreneurs and Industrialists, Turkmenistan's president is serious about promoting entrepreneurship. To that end, the government has instituted financial incentives that it hopes will stimulate growth of the private sector from its current level of 40 percent of the economy to 70 percent. The Union offers legal, financial, and business planning services to members, and the Chamber of Commerce and Industrialists offers business registration services to foreign companies, as well as visa services for trade shows. However, until obstructionist bureaucratic policies, procedures and thinking are seriously overhauled, such moves to liberalize the economy will have only limited success. END SUMMARY.

TURKMEN CONSTRUCTION COMPANIES CAN NOW REGISTER

[1](#)3. (SBU) Head of the reformed Union of Entrepreneurs and Industrialists (reftel) Aleksandr Dadaev told representatives of the Department of the Treasury (septel) that the Union is working on a proposal it plans to submit to the government on reviewing customs laws. Dadaev said that President Berdimuhamedov's economic policy is meant to stimulate private business, including a new initiative which now allows local construction companies to register and which is meant to shift dominance in this sector from Turkish companies to Turkmen companies.

GOAL TO INCREASE PRIVATE SECTOR FROM 40 TO 70 PERCENT OF ECONOMY

[1](#)4. (SBU) According to Dadaev, the government is offering private firms various tax holidays and attractive loans as incentives so that the private sector's share of the economy

will increase from 40 percent to 70 percent. In response to a comment about the apparent inflation of the figure of the private sector's current share of the market, Dadaev said that the government counted foreign firms -- such as the many Turkish construction companies prevalent in Turkmenistan -- when compiling this figure. However, the government intends that in the future, 70 percent of the private sector will be composed of companies founded and led by Turkmen.

SOME INFORMATION ON TAXES

15. (SBU) Dadaev said that businesses pay various taxes based on the sector in which they are active. For example, food producers do not pay Value Added Tax, which is 16 percent. Dadaev listed a sampling of several business taxes:

- Turnover tax, 2 percent
- Profit tax, 5 percent
- Agriculture tax, 3 percent of profit
- Beautification tax, 0.3 percent.

The Treasury representatives asked for a detailed list, which Dadaev agreed to supply to post at a later date.

UNION OF ENTREPRENEURS AND INDUSTRIALISTS OFFERS SERVICES

16. (SBU) Dadaev said that after registering, entrepreneurs can receive tax consultations at the Main State Tax Service office. The Union offers consultations to all members through its Legal Department and a Financial Department. A committee within the Union reviews members' business plans

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regarding their potential for success.

CHAMBER OF COMMERCE AND INDUSTRY ALSO OFFERS SERVICES

17. (SBU) Chairman of the Chamber of Commerce and Industry Palvan Taganov said that 139 companies currently belong to the Chamber. The Chamber is publicizing its trade shows on its new website, <http://www.cci.gov.tm/>. The Chamber will provide visa support for representatives of foreign companies that wish to attend trade shows, and all documents and information are posted on the Chamber's website. Taganov added that the Chamber will assist foreign companies with registration through its Legal Department, upon the Embassy's request submitted via diplomatic note.

18. (SBU) COMMENT: According to all public signs, including widely reported meetings with entrepreneurs (reftel) and the statements made above, Turkmenistan is committed to the growth of private enterprise. In reality, significant obstacles remain that prevent a flourishing private sector. For starters, many foreign companies find that the registration process alone takes a year. Until obstructionist bureaucratic policies, procedures and thinking are seriously overhauled, other attempts to promote entrepreneurship will have only limited success. END COMMENT.
CURRAN